

HOUSE BILL REPORT

E2SSB 5649

As Passed House - Amended:

April 16, 2009

Title: An act relating to achieving greater energy efficiency in buildings.

Brief Description: Regarding energy efficiency in buildings.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rockefeller, Hobbs, Pridemore, Kohl-Welles, Keiser, Fraser, Sheldon, Shin, McAuliffe, Kline and Oemig).

Brief History:

Committee Activity:

Technology, Energy & Communications: 3/18/09, 3/26/09 [DPA];

Ways & Means: 4/2/09, 4/4/09 [DPA(WAYS w/o TEC)].

Floor Activity

Passed House - Amended: 4/16/09, 63-34.

Brief Summary of Engrossed Second Substitute Bill (As Amended by House)

- Authorizes the Washington State University (WSU) Extension Energy Program to implement grants for pilot programs providing community-wide energy efficiency upgrades.
- Directs WSU to form an interdisciplinary team to assess opportunities to increase energy efficiency in the agricultural sector
- Authorizes certain financing mechanisms for energy efficiency.
- Modifies definitions and operational requirements of the low-income residential weatherization program.
- Requires the Department of Community, Trade and Economic Development to review the energy efficiency of those housing properties in the Housing Trust Fund that are in need of major rehabilitation or renovation.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass as amended. Signed by 9 members: Representatives McCoy, Chair; Carlyle, Eddy, Finn, Hasegawa, Hudgins, Jacks, Takko and Van De Wege.

Minority Report: Do not pass. Signed by 5 members: Representatives Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Condotta, Herrera and McCune.

Staff: Kara Durbin (786-7133)

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Ways & Means and without amendment by Committee on Technology, Energy & Communications. Signed by 15 members: Representatives Linville, Chair; Ericks, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Seaquist and Sullivan.

Minority Report: Do not pass. Signed by 7 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Ross and Schmick.

Staff: Steve Smith (786-7178)

Background:

Energy Consumption in Buildings.

According to Pacific Northwest National Laboratory, buildings account for approximately 40 percent of total energy consumption and approximately 72 percent of electricity consumption. Weatherization can increase the energy efficiency of a building through installation of energy efficiency measures. Examples of weatherization services include insulating ceilings, walls, floors, and ducts, closing air gaps that allow heat to escape, and modifying heating systems to improve efficiency. The U.S. Department of Energy (DOE) estimates that weatherization efforts can reduce heating bills, on average, by up to one-third.

American Recovery and Reinvestment Act.

The American Recovery and Reinvestment Act (Act) of 2009 includes \$16.8 billion for energy efficiency and renewable energy programs and initiatives led by the DOE. These programs include assistance for weatherization, state energy programs, energy efficiency and conservation block grants, research and development of renewable energy, and energy efficient appliance rebate programs.

The Act specifically provides: \$5 billion for the Weatherization Assistance Program (WAP); \$4.1 billion for the State Energy Program; \$3.2 billion for Energy Efficiency and Conservation Block Grants; \$1.2 billion for applied research, development, demonstration and deployment of biomass and geothermal energy; and \$300 million for an energy efficient appliance rebate program and for the federal Energy Star program.

Low-Income Weatherization.

There are two main sources of funding for low-income weatherization. One source is the Low-Income Home Energy Assistance Program (LIHEAP), which is administered through the Department of Community, Trade and Economic Development (DCTED) for the purpose of assisting low-income households with their energy needs. Under the LIHEAP, the DCTED contracts with 26 community action agencies to provide utility bill assistance, as well as residential weatherization. The LIHEAP funding is generally distributed at a rate of 85 percent for utility bill assistance and 15 percent for residential weatherization.

The other source of funding for low-income weatherization is the WAP, which is also administered by the DCTED to assist in low-income residential weatherization services.

The Act makes two major changes to the existing WAP: (1) the income level eligibility threshold is modified from at or below 150 percent of the federal poverty level to at or below 200 percent of the federal poverty level; and (2) the average per dwelling unit assistance limit is raised from \$2,500 to \$6,500. The Act also provides that dwelling units that were partially weatherized under the WAP between 1979 and 1994 are eligible for further assistance.

Energy Efficiency and Conservation Block Grants.

The Energy Efficiency and Conservation Block Grant (EECBG) Program was established by the Energy Independence and Security Act of 2007 to assist cities, counties, states, and tribal nations in activities to reduce fossil fuel emissions, reduce total energy use, and improve efficiency in transportation, buildings, and other sectors. The EECBG Program authorizes a number of energy efficiency and conservation activities, including energy efficiency audits, improvements, and retrofits; developing and implementing building codes that promote energy efficiency; implementing energy distribution technologies; and implementing technologies to reduce or capture methane and other greenhouse gas emissions.

State Energy Program.

The DOE's State Energy Program (SEP) provides grants to states to design and carry out renewable energy and energy efficiency programs. Funding from the SEP for Washington goes directly to the DCTED. Under the SEP, states may fund a range of energy efficiency improvements and renewable resource development activities, public and private, across all sectors, including research, planning, technical assistance, demonstration, and deployment.

Summary of Amended Bill:

Pilot Program for Community-wide Energy Efficiency Upgrades.

The Washington State University (WSU) Extension Energy Program may award three or more grants for pilot programs providing community-wide urban residential and commercial energy efficiency upgrades.

These pilot programs must:

- provide energy efficiency assistance to structures used or owned for residential, commercial, or nonprofit purposes in specified urban neighborhoods;
- use volunteer support through community-based institutions;
- employ energy audits using recognized, cost-effective retrofit measures;
- select and provide oversight of the retrofit work performed by contractors; and
- require contractors selected by sponsors to: participate in quality control and efficiency training; use workers trained from workforce training and apprentice programs, if available; pay prevailing wage; hire from the community in which the project is located; and create employment opportunities for veterans, members of the National Guard, and low-income and disadvantaged populations.

Priority must be given to sponsors that can secure a sponsor match of at least \$1 for each dollar awarded. Pilot programs receiving funding must report to WSU on their compliance with specified performance metrics every six months following the receipt of grants.

Financing Energy Efficiency Projects.

The DCTED must establish a process to award competitive grants to financial institutions for the purpose of creating credit enhancements to finance energy efficiency efforts or conduct direct outreach.

State bond authorities may use federal energy efficiency funding to design energy efficiency finance products and programs. Municipalities receiving funding through the federal EECBG Program may use federal stimulus funds to establish loan-loss reserves or for risk reduction mechanisms to leverage financing for energy efficiency projects.

The Washington State Housing Finance Commission (Commission) may issue revenue bonds to finance loans for energy efficiency and renewable energy improvement projects. The Commission may establish eligibility criteria for financing to allow the Commission to select applicants that are likely to repay the loans.

The DCTED must approve any financing mechanisms offered by municipalities that receive federal EECBG Program funding. Any financing mechanisms offered must conform with state and federal regulations.

Farm Energy Assessments.

The director of WSU, in consultation with the Department of Agriculture, must form an interdisciplinary team of agriculture and energy extension agencies to assess opportunities to increase energy efficiency. The team must develop and deploy: (1) energy self-assessment software tools; (2) energy auditor training curricula for the agricultural sector; (3) an infrastructure of trained energy auditors to assist with on-farm energy audits and identify cost-share assistance for efficiency improvements; and (4) systems to measure cost savings, energy savings, and carbon emission reduction benefits resulting from efficiency improvements.

Low-Income Residential Weatherization Program.

Definitions and operational requirements of the Low-Income Residential Weatherization Program are modified. The term "weatherization" is changed to "sustainable residential weatherization" to allow weatherization funding to be used for energy and resource conservation, energy efficiency improvements, repair, indoor air quality, and health and safety investments. The DCTED must encourage proposals that: (1) use environmentally sustainable technologies, designs, and practices; (2) achieve the greatest possible monetary and energy savings over the longest period of time; (3) identify and correct, to the extent practical, health and safety problems for residents; and (4) create family-wage jobs that may lead to careers in the construction trades or in the energy efficiency sectors.

The DCTED must maximize available federal Low-income Home Energy Assistance Program (LIHEAP) funding for weatherization projects, to the extent practicable and allowable under federal rules and regulations.

The DCTED must require sponsors to: pay prevailing wages; participate in quality control and efficiency training; use workers trained from workforce training and apprentice programs, if available; pay prevailing wage; hire from the community in which the project is located; and create employment opportunities for veterans, members of the National Guard, and low-income and disadvantaged populations.

Energy Efficient Appliances Rebate Program.

The DCTED may create an appliance efficiency rebate program with funds from the federal Energy Efficient Appliances Rebate Program.

Publicly Funded Housing.

The DCTED must review all housing properties in the Housing Trust Fund's real estate portfolio and identify those properties in need of major renovation or rehabilitation. The DCTED must prioritize renovation or rehabilitation projects based on what will achieve the greatest expected monetary and energy savings and also leverage environmentally sustainable technologies, practices, and designs. If funding is made available, the DCTED must accelerate the review of its housing properties and attempt to complete energy audits on at least 25 percent of its properties that are over 25 years in age by June 30, 2011.

State Energy and Climate Change Initiatives.

The Governor must designate a person to serve as the single point of accountability for all energy and climate change initiatives within state government. State agencies, councils, or work groups with energy or climate change initiatives must coordinate with this designee.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony (Technology, Energy & Communications):

(In support) This represents a significant expansion in weatherization and efficiency improvements in the state. Homes of moderate means will now be able to make use of federal funding for weatherization. This framework will allow us to be ready to meet the timelines of the federal government in an efficient and transparent manner. This effort led by WSU will complement the DCTED's existing low-income efforts for weatherization.

Reducing our carbon emissions through energy efficiency is important. Financing mechanisms should be further defined to assist the Housing Finance Commission (Commission) in its mission. The Commission is well positioned to offer energy efficiency financing. Financing is a critical element of retrofit programs. This bill would benefit from a more refined definition of what constitutes a green job. The emphasis should be on family wage jobs.

This bill is important because it encourages the development of a green workforce. Our disadvantaged population has to be part of the solution. These energy efficiency jobs need to be family-wage jobs. Apprenticeship programs in this area are critical.

Creation of the Energy Efficiency Assistance Program is a high priority to WSU. Administrative fees are capped at 5 percent, and it is not WSU's intent to charge indirect rates for this program. The Extension Energy Program at WSU has the capabilities and expertise to run this program effectively.

The Secretary of the United States Department of Energy (DOE) asked WSU to coordinate information on all federal stimulus money coming through the DOE nationwide.

There are concerns about WSU handling this program and there being higher administrative fees as a result.

(In support with amendments) The weatherization system should be housed within the DCTED. The mechanisms are already in place.

Prioritization of energy efficiency funds for weatherization may be leaving out schools, hospitals, and other public buildings.

(With concerns) There is no need to create a whole new program at WSU. Instead, the bill should specify how much funding should go towards middle-income weatherization, and the money should be put into the existing account. We want all income levels to have access to the weatherization program. The DCTED should be involved in the workforce training provisions of the bill in order to capitalize on the training and certification programs they have developed over the last 10 to 15 years. The various weatherization provisions seem to muddle the priorities set forth in the bill.

The updates to the weatherization statute are needed to allow the existing weatherization program to meet existing needs.

The Governor has asked the DCTED to provide recommendations regarding the state energy program dollars and the state portion of the Energy Efficiency Block Grant Program. Stimulus funds should be deployed rapidly with a strategic approach so that the state can take full advantage of these funding opportunities.

(Comments only) It is unclear how this legislation will be reconciled with the green jobs bill, Engrossed Second Substitute House Bill 2227. Both bills help explore pathways for the workforce to enter the green economy.

(Opposed) None.

Staff Summary of Public Testimony (Ways & Means):

(In support) There are several different sources of federal stimulus dollars for energy efficiency efforts. State energy program funds are intended to be used to finance this energy efficiency program. Focusing on weatherization, retrofits, and energy audits seems to be an effective way to realize significant energy efficiency savings for those of modest means.

This bill contemplates using Washington State University's (WSU) Energy Extension Program to tap into existing community-based networks.

Investing in energy efficiency will reduce energy costs, create jobs, and reduce carbon emissions. This bill establishes a pipeline for creating jobs in the energy efficiency sector. The striking amendment is stronger because it contains appropriate performance measures.

Investing in residential and small commercial retrofits is the best way to use the energy-related federal stimulus funding and provides pathways from poverty to living wages through apprenticeship opportunities. This bill will provide new jobs and new apprentice opportunities and help us support a green economy.

This is as an opportunity for WSU to effectively contribute their services and expertise towards this effort. Washington State University's Energy Extension Program is committed to minimizing administrative costs in operating this program, and intends to use existing agencies in the workforce training area.

(With concerns) Community action agencies have worked very well with the Department of Community, Trade and Economic Development's (CTED) weatherization and low-income energy assistance programs.

Administrative costs may be higher if this program is operated as a new program at WSU rather than as an expansion of the existing program at the CTED.

(Opposed) None.

Persons Testifying (Technology, Energy & Communications): (In support) Senator Rockefeller, prime sponsor; Adam Ydstie and Bob Merkholt, Sound Alliance; Tom Robinson, Spokane Alliance; Tina Bloomer, Washington State Board for Community and Technical Colleges; Kim Herman, Housing Finance Commission; Jake Fey, Washington

State University Extension Energy Program; and Christian Dube, International Union of Operating Engineers Local 286.

(In support with amendments) Noah Reandeau, Northwest Energy Efficiency Council; Dave Finet, Opportunity Council; and David West, Puget Sound Sage.

(With concerns) Tony Usibelli and Will Graham, Department of Community, Trade and Economic Development; and Greg Provenzano, Columbia Legal.

(Comments only) Carolyn McKinnon, Workforce Training Board.

Persons Testifying (Ways & Means): (In support) Scott Hazelgrove, Washington Association of Sewer and Water Districts; and Josh Weiss, Washington Association of Counties.

(With concerns) Seth Dawson, Washington State Association for Community Action.

Persons Signed In To Testify But Not Testifying (Technology, Energy & Communications): None.

Persons Signed In To Testify But Not Testifying (Ways & Means): None.